<u>Public Employment Retirement System (PERS)</u>

The $5.5 Billion, Taxpayer-Funded Problem You've Never Heard Of

1. **<u>Board: Protecting Their Own</u>** Of the 10 members on the PERS Board of Directors, only two are advocates for taxpayers: the State Treasurer and the one member appointed by the Governor. The other eight members represent various groups of public employees and retirees whose main interest is protecting their own pension benefits.

2. **<u>2nd Worst in the Country</u>** According to the 2004 Wilshire Report on State Retirement Systems, Mississippi's unfunded liabilities of its pension system, when analyzed as a percentage of state budget expenditures, ranked 2nd worst in the country.

3. **<u>110th out of 123</u>** In that same study, Mississippi PERS ranked 110th out of 123 state-run pension systems nationwide when calculating the plan's assets minus the plan's liabilities.

4. **<u>$5 Billion in the Hole</u>** The pension system's current unfunded liabilities amount to more than $5.5 billion. That number represents the difference between the benefits the pension system is obligated to pay in the future for current retirees and employees and the pension plan's actual assets. In other words, the pension plan is on the hook to pay over $5 billion in benefits in the future, and the plan currently doesn't have the money to pay for them.

5. **56 Years to Pay Off** Under current pension plan guidelines, it would take PERS more than 56 years to pay the unfunded liabilities off. In 2003, the amount of time to pay it off was less than 33 years. Federal accounting standards require that the time that it would take to pay off unfunded liabilities be less than 40 years.

6. **$250 Million a Year to Debt** More than half of the state's payments to PERS each year goes to reduce the unfunded liability of the system. Nearly $500 million in state and local taxes goes to pay the employer portion of the system.

7. **Board Answer: Give Us More!** The PERS Board's recommendation to bring the plan into compliance with the federal 40-year guideline is to raise the amount the state (i.e., taxpayers) contributes to the system without addressing how it got the pension system where it is today.

8. **What Went Wrong:** Benefits have been paid beyond what was predicted and beyond what the state can afford; contributions to the system were underfunded compared to the increased benefits being paid; and investments underperformed over the past several years.

Sources: 2004 Mississippi PERS Annual Report; 2004 Wilshire Report on State Retirement Systems: Funding Levels and Asset Allocation